

DEPARTMENT OF
COMMERCE



WORKFORCE RESTRUCTURING PLAN

U.S. Department of Commerce
Submission to OMB
April 2002

Based on Instructions Provided by the Office of Management and Budget, Bulletin 01-07

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Executive Summary

This interim Commerce Workforce Restructuring Plan aligns our human capital requirements with the Strategic Plan, the Department's FY03 budget, the Annual Performance Plan and Performance Report, and the Consolidated Competitive Sourcing Management Plan. Our plan was developed to ensure that we have the appropriate number of people with the right skills available in order to support the President's Management Agenda and accomplish our mission.

The plan reflects the opportunities, challenges, strategies, and human capital solutions to manage the Department's workforce based on analysis of our demographics, hiring and turnover trends, and retirement trends. It also reflects our intent to use competencies to drive our recruitment, training, retention and succession programs. By making better use of technology, streamlining processes and eliminating redundancies, we also plan to implement a significant restructuring in two bureaus, eliminate over 500 managers, consolidate and transfer functions among the bureaus, and develop stronger cross-functional and intra-agency teams. In order to provide more direct services to employees, we are leveraging technology through the Internet, integrating programs and administrative systems, and utilizing geospatial systems for data delivery in the Census, as well as redeploying mid-level employees to provide more direct services to citizens. Our bureaus have also identified strategic approaches to reduce the overall time it takes to make decisions, deliver services, and produce data.

The Department's agency-wide plan is based on the analysis and synthesis of departmental and bureau-wide human capital issues. Each bureau developed a separate workforce restructuring plan, with the exception of the National Oceanic and Atmospheric Administration (NOAA), which provided an interim submission. Currently, NOAA is undergoing an extensive top to bottom organizational and workforce review. The bureau anticipates completing its review in May and will submit a final workforce restructuring plan at that time. Commerce will then submit a final Department-wide plan in June that includes NOAA data, as well as all other bureau plans.

The President's vision and direction to all agencies to streamline their organizations has provided Commerce the opportunity to look across all thirteen bureaus, and implement a plan that puts our employees first, while building a stronger organization for the future. We believe our human capital strategies provide a solid foundation for Commerce, as we do our part in building and sustaining a better nation.



Workforce Restructuring Plan

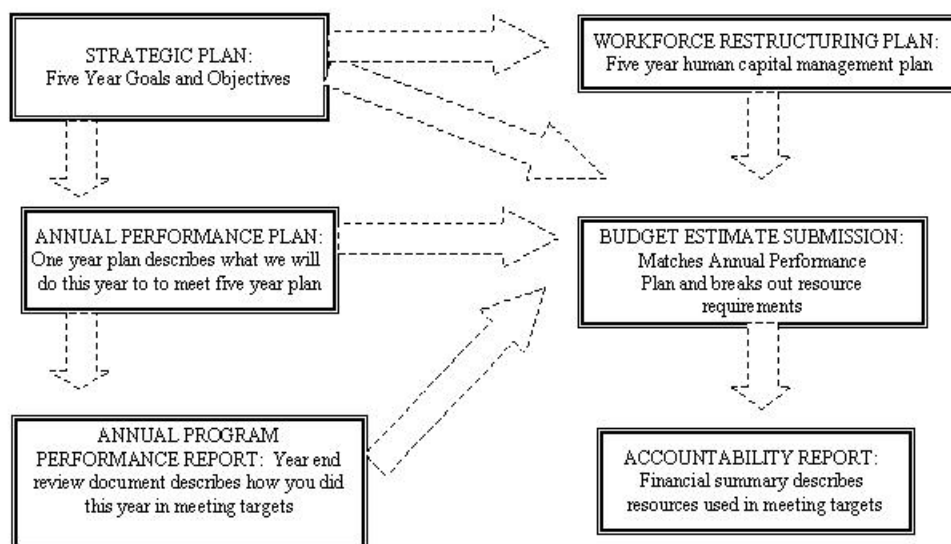
Introduction

The Department of Commerce has engaged in a structured, deliberative process to design and implement workforce restructuring plans throughout the Department and its bureaus. There have been a number of challenges in undertaking this effort, including the fact that a number of our most senior political appointments have taken place during the past several months. Although senior career staff have developed and refined proposals, it has been essential that President Bush's appointees enjoy sufficient time to participate and make final decisions on this fundamental Presidential Management Agenda priority.

The Process to Develop Workforce Restructuring Plans

The Department of Commerce has taken a number of steps in crafting both its Departmental and bureau workforce restructuring plans. First, we determined that workforce restructuring plans would be predicated on the Department's Strategic Plan and maintain a strong relationship with its Annual Performance Plan. In fulfilling our strategic goals, the workforce restructuring plan aligns with the Department's planning, budgeting, and reporting cycles, as represented below.

Relationships Within the GPRA Process



Next, we completed a standardized Workforce Restructuring Template (Appendix A), with assistance from the National Academy for Public Administration (NAPA). This Template, used to structure each bureau's response, was invaluable in ensuring consistency and attention to the key elements of workforce restructuring required by OMB Bulletin 01-07. Use of the Template enabled us to compare and contrast bureau plans, assess bureau responsiveness to the requirements, identify cross-cutting competency gap challenges and commensurate human capital solutions, and aggregate a Departmental Workforce Restructuring Plan. We also formed a Workforce Restructuring Group which met several times to discuss the Template and its use, provided further NAPA consultative services to the bureaus, and conducted an event to convey information about the President's Management Agenda (with a particular focus on workforce restructuring) to all Departmental SES members on January 15, 2002.

Interim and Final Workforce Restructuring Report

This five-year Workforce Restructuring Plan for the Department of Commerce covers the period between FY2003 and FY2007. During this period, specific organizational changes are proposed in an effort to improve and streamline the overall management of the department, as well as manage human capital as a strategic and corporate resource. Commerce has carefully examined the mission and identified critical changes and challenges to accomplishing the mission. The restructuring activities within our plan address the President's Management Agenda and departmental priorities by redirecting positions within the agency to ensure that the largest numbers of employees are in direct service delivery positions that interact with citizens. As part of this effort, the activities reduce the number of managers and organizational layers, as well as increase the span of control. This should favorably impact the time it takes to make decisions. The plan reflects the corporate strategy to use *competencies* as a vehicle to drive development, implementation and integration of effective human capital management. At the heart of this human capital strategy is Commerce's intent to recruit, develop, and retain a qualified, diverse and flexible workforce of sufficient size, possessing the critical competencies needed to accomplish the department's established mission within the broader context of anticipated changes and unknown contingencies.

Most bureaus submitted their Workforce Restructuring Plans to the Department in late February, 2002. These plans were reviewed by staff members, and consolidated, where appropriate, to form this interim report. Senior leadership in the Department is now vetting each bureau plan. We await final plans with an anticipated due date in May. We will then finalize this interim report and submit it to OMB by early June. The Final Workforce Restructuring Report will be accompanied by specific plans for each bureau.

How This Report is Organized

In creating the Department of Commerce Workforce Restructuring Plan, we have been intent in making explicit the linkages between the Department's Strategic and Annual Performance Plans, the skills needed to execute these plans and deliver the Department's mission, and the organizational structure most effective in that mission delivery. The overall Department of Commerce plan provides an overview of specific organizational changes linked to the mission through the strategic plan and annual performance plans for the next five fiscal years. The plan identifies and summarizes the following:

- Mission, Strategic Goals, Performance Priorities and FY03 Budget
- Organizational Changes Completed and/or Underway
- Current Department-wide Opportunities and Challenges
- Human Capital Challenges and Strategies
- Human Capital Solutions and Tools
- Projected Costs or Savings
- Plan for Measuring Progress

Also identified in Appendices B through D is a Department-wide action plan, which identifies key activities, impacts, milestones, dates, and organizational charts. Additionally, the plan addresses current and proposed human resource flexibilities. Commerce has a number of flexibilities currently in use by bureaus participating in the Demonstration Project. The Demonstration Project includes paybanding, an automated classification system, pay setting and position classification delegations, a pay for performance system, and supervisory pay differential. However, we have identified several areas where existing authorities are insufficient.

The success of this plan will be tracked through the Government Performance and Results Act (GPRA) as a management goal within the strategic plan, and measures in the annual performance plan and report. When introducing his management agenda, President Bush said, "Good beginnings are not the measure of success. What matters in the end is completion. Performance. Results." This plan has been developed with Departmental and bureau leadership to ensure that Commerce has the critical skills needed to get results, now and in the future.

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Mission, Strategic Goals and Performance Priorities

History and Enabling Legislation

Congress initially established the Department of Commerce on February 14, 1903, as the Department of Commerce and Labor (32 Stat.826; 5 U.S.C, 591). Redefined by President William H. Taft on March 4, 1913, (15 U.S.C. Section 1512) as a new organization, the Department of Commerce was organized to “ foster, promote, and develop the foreign and domestic commerce, the mining, manufacturing, and fishery industries of the United States.”

Mission

The Department of Commerce touches the lives of every American on a daily basis. Through a diverse and overarching mission, Commerce promotes job creation and improved living standards for all Americans by creating an infrastructure that promotes economic growth, technological competitiveness, and sustainable development.¹ In the post September 11th environment, now more than ever our core mission is vital to the economic health and well being of the Nation. Commerce has been diligent in its role to ensure economic recovery. With responsibilities to advance U.S. business and industry, stimulate international trade, measure and analyze social development and economic activity, and advance our Nation’s scientific technological capabilities, the missions of the thirteen Commerce bureaus serve a vital role in achieving the overarching mission.

Providing economic data and analysis on which to develop national policy is central to the Commerce focus of advancing U.S. business and industry. Commerce people and systems work diligently to improve the understanding of key forces at work in the economy, disseminate accurate and timely information using a variety of new and innovative technologies, and respond to the opportunities they create for improving the well-being of America.

The Economics and Statistics Administration (ESA) has the primary objective of maintaining a sound Federal statistical system that monitors and measures rapidly changing economic and social conditions. **ESA** along with the **Bureau of Economic Analysis (BEA)** provides the most accurate and relevant statistical and economic data, which strengthens the understanding of the U.S. economy and its competitive position. The gross domestic product and the balance of payments are key economic

measures used by the President, Congress, and businesses to make sound economic, financial, and policy decisions. The foundation for this analytical function is the **Bureau of the Census**, which collects and provides data about the people and the U.S. economy through the decennial census, the economic census and a variety of other demographic products, surveys and analysis. The **Economic Development Administration (EDA)** fosters public and private sector partnerships to support the development of private enterprises in distressed communities. The **Minority Business Development Agency (MBDA)** empowers minority business enterprises and then promotes public and private sector investment in minority businesses. The **U.S. Patent and Trademark Office**, a newly formed performance-based organization, promotes industrial technological progress in the United States and strengthens the economy by administering the laws related to patents and trademarks while ensuring the creation and protection of valid and prompt intellectual property rights.

On the international front, supporting U.S. commercial interests at home and abroad, the **International Trade Administration (ITA)** works to create economic opportunity for U.S. workers by promoting trade, opening foreign markets, and ensuring compliance with our trade laws and agreements. Additionally, the **Bureau of Export Administration (BXA)** seeks to advance U.S. national security, foreign policy, and economic interests by regulating exports of critical goods and technologies that could be used to damage those interests, by enforcing compliance with those regulations, by cooperating with like-minded nations to obtain global support for this effect, by assisting nations that are key export or transit points for sensitive goods and technologies to strengthen their own transit and export controls, and by monitoring U.S. defense industrial base to ensure it remains strong.

The Technology Administration (TA), the National Institute of Standards and Technology (NIST), The National Technical Information Service (NTIS) and the National Oceanic and Atmospheric Administration (NOAA) are at the forefront of scientific research and technological advances, which strengthen our infrastructure and ensure American competitiveness. **TA**, along with **NIST**, works with U.S. industry to develop and deliver measurement techniques, test methods, and standards that provide a foundation to perform research and development, test, produce and market new and innovative technologies. **NTIS** follows a Congressional mandate to create innovative information products and disseminate technical information through state-of-the-art multi-media. **NOAA** describes and predicts changes in the earth's environment, as well as conserves and manages the Nation's coastal and marine resources so as to ensure sustainable economic opportunities. Rounding out the portfolio, the **National Telecommunications and Information Administration (NTIA)** performs a number of vital infrastructure functions, advising the President on domestic and international communications policy, managing the Federal Government's use of the critical natural resource--radio frequency spectrum, and performing research in telecommunications sciences.²

Strategic Goals

To accomplish the mission, Commerce has developed three strategic goals and one overarching management integration goal to drive our organizational performance. These goals are tracked through our strategic plan, annual performance plan and performance report, and the accountability report.

Goal One: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Goal Two: Provide infrastructure for innovation to enhance American competitiveness.

Goal Three: Observe and manage the earth's environment to promote sustainable growth.

Goal Four: Strengthen management at all levels.

In accomplishing Strategic Goal One, an important role of the Department of Commerce is to provide economic data and analysis to a wide range of users, including public policy makers and the private financial sector, to ultimately strengthen the U.S. domestic and international economic position. This requires research into economic phenomena, analysis of economic data, and the preparation of interpretive reports, providing advice and consultation on economic matters to governmental officials and private organizations or citizens.

Relating to Strategic Goal Two, we perform analytical and advisory functions pertaining to the commercial distribution of goods and services. This work concerns and requires a practical knowledge of market structures and trends, competitive relationships, retail and wholesale trade practices, distribution channels and costs, business financing and credit practices, trade restrictions and controls, and principles of advertising and consumer motivation.

In meeting Strategic Goal Three, we evaluate the impact of construction projects and other socioeconomic activities that present potential or actual adverse effects on fishery resources and their habitat, conduct basic and applied research into the conditions and phenomena of the atmosphere, collect, analyze, evaluate, and interpret meteorological data to predict weather and work to develop means to improve its prediction. We measure and interpret natural and physical ocean phenomena for the purpose of interpreting, predicting, and utilizing and controlling ocean forces and events.

In the economic and scientific areas alike, Commerce, as a strongly knowledge-based organization, relies heavily upon its employees' research, data collection, management, and analytical skills. Effective utilization of technology is imperative in today's work environment and there is a technological component to even the most basic work. However, possessing only the requisite technical competencies is not sufficient for success. Leadership, communication, planning and project management competencies are required as well.

Performance Priorities and FY03 Budget

Over the next five years, Commerce will sustain its core mission with an expanded focus on and increased funding for securing trade compliance, and economic and demographic data analysis as conducted by ITA, ESA, BEA and the Census Bureau. Commerce will also support the Administration's focus on improving domestic safety through the efforts of BXA in homeland security, counter terrorism efforts and infrastructure protection. Increased funding has also been provided to TA and NTIS for efforts in building the technology infrastructure. The NOAA organization will be engaged in the acquisition and life cycle management for polar orbiting satellites to improve weather and climate forecasting, as well as climate research through interagency partnerships, and rebuilding of the nation's ocean fishing stocks. NIST will develop new laboratory facilities to ensure continued national research and development of the newest technologies.

The FY03 budget in the amount of \$5.4 billion supports the performance priorities above, by providing additional staffing and financial resources to core Commerce functions only.³ We are confident that our financial and human capital assets are aligned to support the Administration's priorities for this fiscal year. Human capital resources, i.e. people will be deployed to new front line programs from unfunded or lower level program priorities.

Organizational Changes Completed and/or Underway

Commerce has completed in whole or in part at least 56 organizational layering or flattening activities, FTE reductions; and/or overall streamlining activities over the past few years to meet the goals of improved customer service and higher productivity, addressing the targets of past initiatives to reduce the size of the Federal government and streamline operations. A complete listing of reorganizations and streamlining activities is found in the Reorganization and Streamlining Report for FY93-FY02, Appendix E. Some highlights of our bureaus' changes in areas of emphasis relating to restructuring include:

Elimination of Managers and Supervisors

- Departmental** Reduced overall allocation of members of the Senior Executive Service from 497 in FY 2000 to 484 in FY 2001
- ITA** Eliminated three Deputy Assistant Secretaries at the SES level
Severed 33 Foreign Service National and Personal Service Contractors, closed five constituent posts, and closed three country operations
Office of Domestic Operations is being restructured, eliminating three GS-15 managers, including the Director of Field Operations
Eliminated five Export Assistance Offices.
Office of International Operations is eliminating the Office of Multilateral Development Bank Operations and its GS-15 Director's position, staff reassigned.
- ESA** Abolished the position of Manager, Marketing and Customer Support
- BEA** In the Regional Accounts area, work processes were restructured resulting in elimination of four staff positions.
Current Business Analysis Division eliminated the Assistant Division Chief position.
The Industry Economics Division (Industry Accts) consolidated four branches to three and eliminated one branch chief position.
National Economic Accounts organization consolidated five branches into four.
Eliminated Capital Stock Branch Chief position and merged staff and function into the Investment Branch.
- BXA** Office of Administration eliminated four division director positions.
- NTIA** Institute for Telecommunication Science reorganization resulted in the elimination of four supervisors.
- TA** The Office of Technology Policy has identified three SES positions for elimination. The positions identified for elimination are: the SES, Director of the Office of Space Commercialization (OSC) SES, Director of Office of Manufacturing Competitiveness and SES, Director of the Partnership for a New Generation of Vehicles (PNGV).

Redeployment of Staff Resources and Enhancement of Customer Servicing

ITA	As a result of elimination of the five Export Assistance Offices, five hub directors (GS-14/15) and 28 supervisors (GS-13/14/15) will be placed into direct client services positions. As a result of elimination of the Office of International Operations Office of Multilateral Development Bank Operations, its staff is being reassigned into direct client services positions.
CENSUS	Created the Marketing and Customer Liaison Directorate.

Streamlining, Consolidation and Elimination of Functions, Programs and Layers

BEA	<p>The National Economic Accounting Training Program (training program for foreign statistical offices) was discontinued.</p> <p>As a result of the Industry Economics Division (Industry Accts) consolidation, staff was realigned by industry instead of data.</p> <p>As a result of the National Economic Accounts consolidation, the former Capital Stock Branch's function and staff were merged into the Investment Branch.</p>
BXA	<p>Plans to merge the Missile Technology Controls Division and Nuclear Controls Division into the Nuclear and Missile Technology Controls Division.</p> <p>The Export Enforcement area plans to merge the Investigations Division into the Intelligence and Field Support Division.</p>
TA	<p>Eliminated the TA library function.</p> <p>The Office of Technology Competitiveness will merge with the Office of Manufacturing Competitiveness to form the Office of Innovation and Technology.</p>

Competitive Sourcing

BEA	BEA's OCIO restructured its IT functions, which included use of contractor support.
NIST	NIST is evaluating the organizational structure and operating procedures of human resources management and other administrative functions.
NTIA	<p>The Office of Spectrum Management obtained additional engineering and administrative support through contracts.</p> <p>The Office of Telecommunications and Information Applications has reduced staff by outsourcing non-core functions.</p>
TA	TA is contracting for the TA webmaster function.

Workforce Diversity, Development and Safety

NIST	NIST is implementing a Leadership, Management and Organizational Development (LMOD) program.
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Workforce Diversity, Development and Safety (cont'd)

CENSUS Created a corporate framework for workforce development. Phase I - identified occupational competencies, developed professional development guides, offered IDP workshops, established Census Corporate University.

Census is currently creating curricula and program activities to support continuous learning and development of three populations: Management and Executive Development, Professional and Leadership Development, Technical and Administrative Staff Development.

NTIA The Office of Spectrum Management (OSM) incorporated three new programs, including one covering public safety, into the existing OSM structure.

The examples listed above underscore the degree of commitment with which our bureaus have, in a relatively short time, embraced and begun to implement the President's Management Agenda in a meaningful, substantive, and tangible way.

Current Department-wide Opportunities and Challenges

In order to show results and meet the expanded performance priorities, Commerce must have the appropriate number of people with the right mix of skills and competencies, on-board and in the pipeline. There are three primary challenges driving significant workforce issues at Commerce, which if unmet, will impact our ability to meet the mission. In the next five years, Commerce will need to:

- Respond to the advances, growth and complexity of technology and telecommunications, and the impact on desired competencies;
- Maintain open markets, expand trade and export for new markets, and develop new international products and services for emerging countries and small businesses;
- Secure the scientific and technical human capital needed to respond to the growing volume of economic, demographic, scientific, technical and engineering data.

Growth and Complexity of Technology: Bureaus are being challenged to contend with the effects of the continuous evolution of data and the sophistication of the data collection process. Each bureau has refocused attention on new electronic products in lieu of paper bound reports. Most have automated core processes for development and delivery of E-commerce, web-enabled products and services such as automated licensing processes for export administration, automated patent applications and trademark registrations for intellectual property protection, geospatial systems for data delivery in the Census, and administrative systems for financial management, human resources and procurement. The Internet and the Intranet have become major communications sources for providing information and services, and receiving customer feedback. Activities are underway to strengthen critical infrastructure protection. Additionally, we are actively engaged in enforcing export controls and compliance with chemical weapons conventions to do our part for homeland security. The above challenges require aggressive commitment of resources and energy to develop and acquire both highly technical IT skills, and enhanced IT and web competencies as basic tools of daily operations.

Trade Compliance: The second set of challenges we will respond to is the shifting dynamics of global industry, and the growing importance of international organizations, strategic alliances and various policy mandates. Commerce must focus resources on maintaining gains in open markets, but also focus on opening

smaller, emerging markets, removing non-tariff barriers to trade, and addressing the U.S. trade imbalance and the relationship between exports and domestic employment. Just as Commerce will address new international alliances as strategic partners in international trade, intra-agency partnerships between ITA and MBDA will be explored to leverage opportunities for small businesses in the global marketplace.

Recruitment and Retention of Scientific and Technical Workforce: We face a third set of challenges in the scientific and technological bureaus. Specifically, we must address the high turnover and projected retirements of our scientific and technical personnel in mission critical positions, as well as the critical role these employees will play in managing a number of the Nation's finite resources. The number one priority is addressing the competitive pressures of the labor market. Recruiting economists, mathematical statisticians, business industry analysts, scientists, and engineers with highly specialized skills and expertise continues to task the limits of our human resource systems. We need to examine organizational cultures and systems to retain employees in these critical positions, once we have brought them into the workforce.

The second priority involves the role Commerce plays managing natural finite resources on two ends of the environmental spectrum--space and the oceans. In space, growing telecommunications needs demand more radio spectrum and wireless service, while the nation's oceans and fish supply must be protected to avoid over fishing, and then conserved and restocked. IT and scientific professionals are vital to apply their technical competencies and problem solving abilities to the task of avoiding shrinking resources.

Human Capital Challenges and Strategies

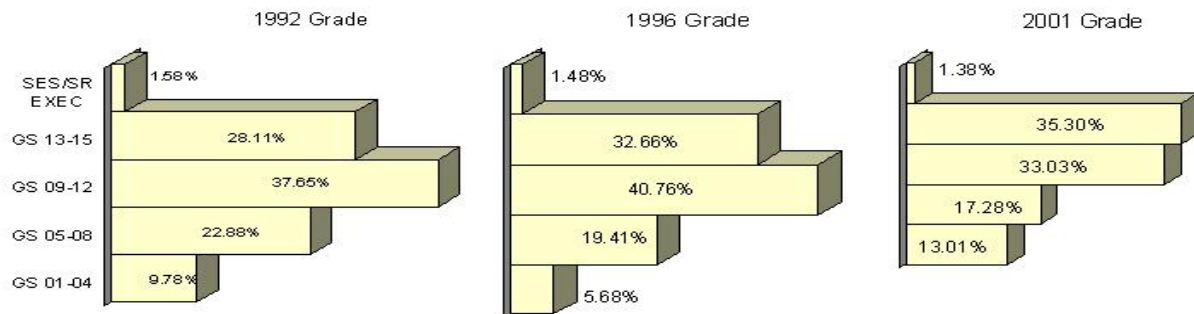
Commerce requires the appropriate number of people, with the right mix of skills and competencies, in order to meet the organizational and business needs previously discussed. For the past 10 years, full-time equivalent (FTE) trends have contracted and expanded. As we closed FY91, the number of FTEs was 32,244 while the total number of FTEs at the end of FY01 was 35,051, an increase of 8.7%. However, the Department has experienced a downward trend after peaking at 35,663 in FY94. To perform today's vital mission, Commerce employs 35,051 permanent employees, and 925 seasonal employees (as of 9/30/01), in addition to contractor services.

Analysis of the workforce indicates that in the mission critical positions, we are losing employees in equal numbers to resignations and retirements. As we look at the turnover data over a 10-year period, in 1992, we lost 2 employees for every 1 hired; in 1995 the number was 4 losses for every 1 hired. In 2001, overall hires to separations were more evenly balanced at 1 to 1, but several key occupations still report 3 employees lost for every 1 hired. In certain critical positions such as economists, the separations are over 7%. This represents a significant drain of Commerce's corporate and technical knowledge and competencies. Couple this turnover trend with the fact that we are hiring an older worker with projected fewer work years, and the complexity of the problem increases. Additional turnover data are found in Appendix F.

The human capital challenges at Commerce are three-fold:

- o High turnover in key occupations
- o Pending retirement wave at all levels of the organization, but especially the SES
- o Reshaping the workforce with appropriate general, technical and leadership competencies

Workforce Shaping



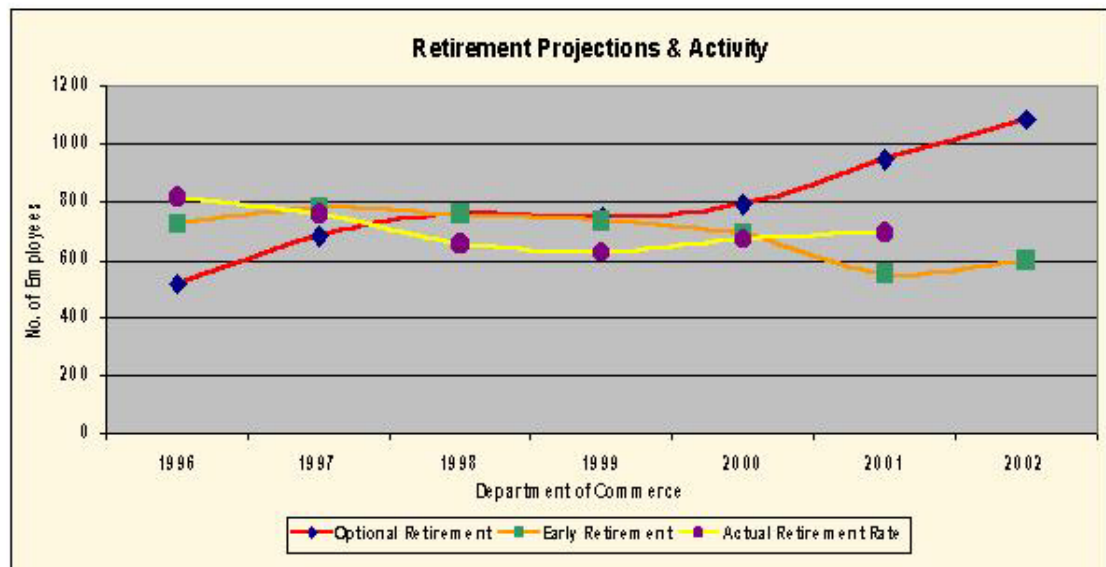
Turnover is highest in the following mission-critical positions: economists, mathematical statisticians, business industry analysts, computer scientists, and electrical engineers. The total separations in 2001 for core occupations ranged from 6% to 8½%. Departmentally, retirements represented 24.47% of all separations, while resignations represent 49.78%. The Accessions and Separations Report, Appendix G, provides detailed information on the numbers and methods of separation. Separations are highest among employees enrolled in FERS, vice those employees under the CSRS program.

At the end of FY01, Commerce's average worker was 46 years of age, with 35% of the overall workforce 51 years of age or older (see Appendix H). During FY02, approximately 16.5% of the workforce will be eligible for optional retirement. If employees eligible for retirement under voluntary early retirement authority ("early-out") were included, just over 42% of the workforce is eligible for some form of retirement. These figures do not take into account mandatory retirements for law enforcement personnel. This means that as we enter **FY03, one of every three employees** will be eligible for some form of retirement.

Five years into the future, 33.6% of the Department's total workforce will be eligible for voluntary retirement with another 34.26% eligible for "early-out." Of the population eligible for voluntary retirement, OPM statistics indicate that 19.3% of that group will likely do so. This is slightly lower than the percentage expected government-wide (21.65%) (See Appendix I). The majority of the

Department's senior leadership being among those eligible for retirement poses a primary and persistent challenge. During 2007, 38.83% of all GS-13 through GS-15 employees will be eligible for optional retirement, and 20.39% of this population is expected to retire. Of the existing SES population, 344 members of the SES or 71% are expected to retire.

By taking a retrospective view of those employees who became eligible for retirement in 1996, we found that the actual number of employees who left the organization through early retirement was fairly closely aligned with the OPM projections. This finding has a significant impact when we examine the projections through 2007. (Refer to Appendix J.)



Among the Department's most populous and mission-critical occupational series, the rate of anticipated retirement varies widely; some occupations expect to see lower than average retirement rates and some significantly higher. This fact makes it unlikely that a universal strategy for managing attrition due to retirement would be successful. OPM projects that by 2007, we may expect the following percentage of incumbents in key occupations to have retired:

Key Occupations Projected to Retire by 2007

<u>Series</u>	<u>Position Title</u>	<u>Percentage to Retire</u>
GS-110	Economists	20.8%
GS-334	Computer Specialists	18.3%
GS-343	Management/Program Analyst	23.2%
GS-356	Electronics Technicians	21.4%
GS-482	Fish Biologists	16.4%
GS-855	Electronics Engineers	18.3%
GS-1101	General Business and Industry series employees	25.6%
GS-1140	Trade Specialists	18.9%
GS-1224	Patent Examiners	7.4%
GS-1301	Physical Scientists	23.6%
GS-1310	Physicists	23.7%
GS-1340	Meteorologists	13.6%
GS-1341	Meteorological Technicians	32.9%
GS-1530	Statisticians	16.7%
GS-1531	Statistical Assistants	26.5%

Traditional Clerical Occupations Projected to Retire by 2007

<u>Series</u>	<u>Position Title</u>	<u>Percentage to Retire</u>
GS-303	Miscellaneous Clerk	26.5%
GS-318	Secretaries	23%
GS-325	Office Automation Assistants	13.4%

These demographics present both problems and opportunities. Clearly, they force us to examine the nature by which work is accomplished to determine if alternative means are necessary and appropriate. Focus must shift from simple backfilling of positions and hiring replacements to endeavoring to match competencies with mission requirements. There is anecdotal evidence that as technology has evolved, the mission-related contributions of some occupations have diminished, leading to the possibility that entire occupational series, such as the traditional secretary, may move toward obsolescence with minimal disruption. As these evolutionary changes occur, we will be presented with the chance to examine and shape our workforce to accomplish the work that must be done.

An important consideration born out by this analysis revealed that the traditional view of the potential retirement pool must be altered to enhance its predictive value. Typically, offices have identified and focused upon employees who have met conditions for early retirement (usually 50 years of age with at

least 20 years of service or any age with at least 25 years of service) as being those from whom the next group of retirees will come. We note, though, that the use of “early out” eligibility as a marker for upcoming voluntary retirement may not be as useful in the future as statistics demonstrate that there is an increasing population of employees that will become eligible for voluntary optional retirement before they are eligible for “early-out”. A common characteristic of numerous new employees is that they have entered government service to begin second careers; thus, they are older than newcomers of the past. Many of these newer employees will reach 60 years of age and have 20 years of service before they will reach 50 years of age and have 20 years of service, thus meeting voluntary retirement eligibility before early retirement eligibility.

Organizational downsizing in past years emphasized decreasing numbers without regard to managing the competencies that would be lost. This appears to be a factor as organizations have hired more experienced workers, commonly older and higher graded, to get higher productivity sooner. This is a fairly myopic strategy, as it tends to work against essential elements of most successful succession planning efforts.

Reshaping the Workforce

Recruitment

Commerce recognizes that we will have an opportunity to reshape the current workforce and position the department to meet the future with a flexible, highly qualified and diverse team. Our rate of new hires was 2.45% in 2001, down from 4.97% in 2000. However, this practice allowed the leadership to exercise control in the hiring process ensuring a future focus for new competencies. The average age of new hires was 41 years old, with an increased entry-level grade from GS-5 to GS-9. This change to historical hiring practices will impact on our recruitment strategy.

Commerce is a fairly diverse organization, although we acknowledge there are areas that require improvement. A significant proportion of the total workforce is comprised of women (47.22%), Caucasian males (41.53%), and minorities (27.69%). Several of our bureaus have done exceptionally well in developing a diverse applicant pool and hiring from it. Other bureaus have identified this as an area for improvement and have implemented plans to diversify their hiring.

Conducting this workforce analysis, planning and workforce restructuring activity has required Commerce to look across the organization to examine not only the appropriate number of employees and supervisors needed, but also to identify the key competencies required to meet current and future human capital needs. Several of our bureaus have identified critical skills imbalances among the workforce that indicate significant competency gaps and/or obsolete skills.

The Department and the bureaus pursue recruiting top talent jointly and independently. While targeted recruitment sources have been identified with Minority Serving Institutions, colleges and universities with specialized technical curricula, and diverse student bodies, collaboration between the Department and the bureaus can be improved to better utilize limited recruitment budgets and improve on campus presence and university relationships. Commerce headquarters has taken the lead by initiating nine Memoranda of Understanding with Minority Serving Institutions and nurturing relations with learning organizations that have diverse student populations.

In addition to utilizing available recruitment flexibilities such as recruitment bonuses, relocation bonuses, special pay rates, Presidential Management Interns, Outstanding Scholars, and a number of appointment authorities, other areas being developed include:

- Accelerated promotion and training programs department-wide similar to a Commerce bureau's model program.
- Federal Career Internship Program will focus on key competencies and those occupations with high levels of turnover, to allow Commerce to develop a cadre of new professionals in these careers.
- Student loan repayment policy and program implemented and funded for key occupations.
- An innovative public sector career recruitment model similar to the ROTC model, for mission critical occupations such as accountants, economists, statisticians, computer engineers, marine biologists and criminal investigators. Leverage our national partnership with the National Academy Foundation (NAF), a non-profit educational intermediary to build the model. Key components include development of specific occupational curricula at the high school and college level, summer internships, scholarship support, and a time-based service commitment following graduation and placement at Commerce.

Training and Development

The Commerce workforce is comprised largely of employees who perform work in the professional and administrative occupations. Fully 41.05% work in professional positions in occupational series requiring positive education requirements (i.e. economists, statisticians, scientists, engineers, and attorneys). Twenty-two percent are employed in administrative positions such as business and industry analysts, management analysts, procurement, and human resources.

As mentioned earlier, Commerce has 56% of the population with a bachelor's degree or higher, however, most of the core occupations require specialized training once the employee comes on board. Commerce has a number of bureaus that have developed corporate universities, strategic partnerships with universities and colleges, and specialized training certificate programs to address this need. The Census Bureau stands out as a best practice having developed 17 Competency Profiles. Census is actively training and developing their statisticians and analysts to acquire the competencies identified in the profiles. Other Commerce bureaus can leverage the competency models and training, to build additional knowledge within their organization. Specifically, they can:

- Leverage Census University (Econ U and Demo U) for developing the competencies in data collection and analysis, surveying, sampling and demographics; and
- Implement the department-wide E-Learning policy and use Virtual University software and tools for development of general competencies and management of training resources

Technical competencies are more bureau specific. We have identified the technical competencies that cross bureau boundaries and will provide opportunities for joint recruitment, training and development and shared resources:

- Electrical Engineering
- Macro and Micro Economics
- International Trade Relations
- Business Industry Analysis and Development
- Sampling and Statistical Methods

Across the agency, the following general competency needs have been identified as desirable to improve the overall performance of the organization:

- Leadership and management
- Communications, decision-making and problem-solving
- Resource management: procurement, contracting and/or grants, projects and human resource management

- Planning, budget and financial management
- Data analysis and information dissemination
- IT skills, Internet expertise

These competencies will serve as a baseline for developing core competencies Department-wide. Our training and development programs will focus on building these competencies among the technical and professional ranks of the organization.

Retention

Retention is the primary challenge that Commerce is facing. As indicated in the analysis, we are losing new employees to resignations and transfer within the first 3 years of their career. Long before the retirement wave descends, we will be forced to manage an immediate retention issue in key competency areas.

While the Commerce workforce appears to be growing at the GS 9-12 level, the total separations in 2001 for core occupations such as physicists, business and industry analysts, investigators and statisticians ranged from 6% to 8%. Departmentally, retirements represented 21.47% of all separations; resignations represented 49.78%. The balance of separations, 39.7% was distributed among reassignments, transfers to other Federal agencies, removals and deaths. The GS-9 thru GS-12 journeyman level represents the pipeline for supervisory and senior technical positions. The turnover here is substantial. The average grade within Commerce was 9.59 (for the GS workforce), a slight decrease from 9.82 reported in 2000, and the 9.88 reported in 1993. We are finding on average, the median number of years worked in the Federal Government by Commerce employees was 12.8, while the Federal average is 17.1 years.

Commerce continues to experience success in delayering the organization and reducing the number of supervisors. The total number of supervisory positions has decreased from 5,325 in January 1994 (then 15.1% of the workforce) to 3,764, now 10.74% of the workforce. Within the Department, the number of team leader positions increased from 187 in 1994 to 565 in 2001. As a direct result of the efforts, Commerce's supervisory ratio improved from 1:62 in 1994 to 1:8 in 2001. As the span of control increases, these numbers have a direct impact on our requirements for retaining seasoned managers, and developing and training new supervisors.

In order to have a high performing organization, we must have a successful balance of leadership, innovative practices, and effective systems and equipment. Commerce will participate in the OPM Human Capital Survey to pinpoint those organizational and cultural areas requiring immediate intervention. A recent GAO study indicates that employees leave supervisors, not organizations.

Commerce will then explore enhanced supervisory training and measure improvements through employee satisfaction surveys and set a 5% improvement target in retaining employees in critical competencies. Job content is a primary driver of employee satisfaction and retention. A successful human capital management strategy will partner managers with human resource professionals to analyze the workload needs, competency requirements, and the work processes of core functions to ensure that each occupation allows employees to work to their full potential. Complete utilization of performance award funds and incentives, along with a balance of quality of worklife programs are performance indicators to measure success in retention.

Succession Planning

At the SES levels, though Commerce experienced a slight decrease of .08% that translates to 13 members in 2001, this decline coupled with an SES projected retirement rate of 71% or 344 executives is a significant performance indicator and represents a major challenge for our organization.

	<u>September 2000</u>	<u>September 2001</u>
GS-13-15	9,875 (29%)	12,372 (35.29%)
SES/Comparable	497 (1.46%)	484 (1.38%)

Succession planning at the Department was successfully piloted in the SES 2000 Candidate Development Program for all Bureaus. This program piloted an automated application process for executives, featured a state-of-the-art executive development program, and 60 and 120 days rotational assignments. Following completion of the program, the graduates were placed in SES positions in most of the bureaus and have successfully completed their probationary period. Given a projected retirement rate of 71%, Commerce must address the challenges of succession planning that the private sector does not face in the absence of a merit based system. As part of our succession planning, Commerce will sponsor expanded development for mid-level managers to increase the quantity and diversity of the executive pipeline in preparation for the SES, continue to track turnover in senior positions, and continue to review competencies by monitoring Individual Development Plans and allocating a minimum dollar amount for each employee.

Human Capital Solutions and Tools

The Department of Commerce has been recognized for a number of innovations in human capital management. NIST successfully tested an innovative paybanding system. Based on its success, Congress converted it to a permanent Alternative Personnel System a few years ago. Currently, Commerce has an active Demonstration Project in five bureaus, testing a Pay for Performance System that features pay bands, automated classification system, pay setting and position classification delegated to managers, and supervisory pay differential. Additional human resource flexibilities presently in use include but are not limited to:

- Recruitment and Relocation bonuses
- Retention Allowances
- Presidential Management Intern Program
- Student Programs and Graduate Fellowships
- Automated Hiring Systems: (Commerce Opportunities on Line (COOL), the joint Census Bureau and Office of Personnel Management Electronic Hiring System (EHS)
- Delegated and Automated Awards Approval Process
- Alternative Work Schedules
- Telecommuting
- Transit Subsidies
- Quality of Worklife and Family Friendly Programs, such as on-site day care, health and fitness centers, and credit union.

Examining our workforce demographics, competencies and human capital challenges has assisted us in identifying additional tools to address skills and competency imbalances, retention challenges and projected retirements.

- **Regulatory** Voluntary Early Retirement Authority (VERA): Several of the bureaus have requested expedited approval authority for VERAs. The current review and approval process is very cumbersome to the bureaus, requiring approvals from the Department of Commerce and the Office of Personnel Management. We propose that Commerce receives and maintains the direct delegation of approval authority from OPM for workforce restructuring activities identified in bureau plans. Specific bureaus requiring VERA to meet reduction targets identified in the workforce restructuring plans are Census, BEA, EDA and ITA.
- **Regulatory** Voluntary Separation Incentive Payment (VSIP) Authority
Bureaus have also requested the authority to make VSIPs in limited situations. Commerce would use the authority to target segments of the organization and/or specific and narrowly defined job categories. This authority, in conjunction with VERA, would let us reshape our workforce to align with current and emerging competency needs. We can then plan to replace positions with obsolete skill sets with competencies that reflect the current and future needs of the organization. Therefore, we would not want a mandatory offset to our FTE base as a condition of the VSIP. (Census, ITA, EDA and NIST)

The VERA or “early out” authority opens the door for more employees to leave, but it does not affect those who are already eligible to retire, nor does it affect employees who are still not retirement eligible. In order to reach employees in these categories, as well as those potential “early out” retirees who would not plan to retire, we need to be able to offer a financial incentive. Since we would use a VSIP authority sparingly and only in limited circumstances, we would want to offer payments up to \$25,000.

- **Regulatory** Amendments to Federal Employees Pay and Compensation Act (FEPCA)
Authority to pay recruitment bonuses to current Federal employees
Authority to pay retention allowances to employees who are likely to leave for other Federal positions
Authority to pay larger recruitment and relocation bonuses
- **Regulatory** Compensation and Retention Tools
Greater flexibility in waiving time-in-grade requirements
Authority to fund language training

- **Commerce and OPM Approval** Premium Pay Authority

In order to improve our ability to respond to highly competitive labor markets for skilled executives, Commerce would like to obtain “premium pay” authority comparable to that used by the SEC, IRS, DOE, and other organizations to attract and retain the organization’s career leadership. At NIST in particular, current pay scales for senior managers are not competitive with private sector counterparts.

- **Commerce and OPM Approval** Direct Hire Authority

To improve recruitment capabilities, enhance organizational flexibility, and better compete with private sector markets for skilled labor, NIST would like the authority to directly hire employees in categories other than ZP scientific and technical personnel in critical shortage occupations.

- **Commerce/OPM Approval** Demonstration Project Authority

Bureaus currently enrolled in the Commerce Demonstration Project have evaluated the project as successful. The supervisory differential and paybanding are features that allow the bureaus to pay competitive salaries to new managers and high performing personnel. Legislation to remove the salary ceiling would assist Commerce to address pay gaps for mission critical positions in other bureaus and would be a valuable tool in addressing our retention issues. The Census Bureau and the Bureau of Export Administration have identified this tool in their plans. The Census business case indicates that the existing compensation and classification systems are inflexible and make it difficult to reward and retain valuable employees based on their technical (rather than supervisory) skills. These systems also encourage agencies to promote professionals into supervisory positions in order to compensate them for their superior technical expertise. This practice works at cross-purposes to Administration goals targeted to make the government more effective and reduce supervisory layers. Moreover, the current systems do not recognize the changing and higher level skills demanded of assistants and technicians. Implementation of paybanding and the supervisory differential, while not a panacea, would go far to provide extremely valuable tools to the bureaus.

Census has also requested a second demonstration project to establish a comprehensive community based-pay system that includes participation by temporary and intermittent employees in the federal benefits program for their front-line field staff in preparation for the 2010 decennial. Census employs

approximately 5600 interviewers nationwide who conduct ongoing survey programs. Currently the Census Bureau is experiencing problems attracting and retaining the quality and quantity of interviewing staff in several areas of the country to meet current and projected needs. The low pay rate and limited access to benefits also contributes to high turnover among the interview staff (approximately 25% per year).

NIST would like the authority to add an additional Pay Band (VI) for a Scientific and Engineering Career Path (ZP), as well as key non-administrative elements of the Administrative Career Path (ZA), for example, such areas as health care, education, business and other specialties that fall outside of the technical ZP fields but which nevertheless require similar levels of educational and professional experience. This new pay band would include positions that would otherwise be classified in the Scientific and Technical (ST) or Senior Level (SL) categories, and some that would be classified in the Senior Executive Service (SES).

Implementing the flexibilities and tools listed above will allow Commerce to build stronger recruitment, training, retention, compensation and performance management systems that support a high performance culture, retain knowledge workers, and develop a future pipeline of new employees and leaders.

Projected Costs or Savings

Projected program priorities and increased funding levels for year one have been identified on page 9. Most bureaus reported that over the next five years, human capital initiatives would be accomplished within FTE ceiling and budget.

For Strategic Management of Human Capital, \$3.8 million has been allocated to accomplish the Resource Requirements of the Commerce Performance Goal for this initiative. Details are identified in Appendix K.

Commerce has estimated \$3.1 million to execute the FY2002-2003 Consolidated Competitive Sourcing Management plan to include cost comparison studies, direct conversions, and training/retraining and employee support activities.⁴

Costs savings, when identified, will be reinvested into human capital initiatives or program areas. The exceptions are the Economic Development Administration and the Technology Administration both of which are undergoing extensive reorganizations. The cost data for these Bureaus are included in their bureau submission.

Plan for Measuring Progress

Achieving the Department's overall goals and performance objectives is the ultimate measure of success for strategic management of human capital. To ensure Commerce has the people and systems in place to accomplish the mission, our workforce restructuring plan has been aligned with the goals contained in the strategic planning and budget documents identified on page 9. Each document has performance measures in place to evaluate progress and success. Specific measures and targets are identified in the Department's FY03 Annual Performance Plan (APP). The APP uses six measures to track the Department's progress to manage human capital.⁵ These measures, along with projected targets and percent of target completion will be assessed as part of the GPRA process. The APP measures for strategic management of human capital are:

- Measure 2a: Strategic Competencies—Ensure Competency in Leadership and in Mission Critical Occupations
- Measure 2b: Strategic Competencies—Ensure Comprehensive Training and Development Strategies
- Measure 2c: Strategic Competencies—Ensure Diverse Candidate Recruitment
- Measure 2d: Efficiency and Effectiveness of Hiring Systems Using the Commerce Opportunities Online (COOL) System
- Measure 2e: Increase the Alignment of Performance Management with Mission Accomplishment
- Measure 2f: Implement a Telecommuting Program

A second resource, which the Department will use to measure progress, is the OHRM Operating Plan. This plan has key performance goals, milestones, action officers and dates generally aligned with the OPM Human Capital Scorecard. The Operating Plan, which is updated quarterly by program managers and the Director, serves as a tangible performance measurement tool. In accordance with the Human Capital Scorecard, Commerce will track operational application of measures for strategic alignment, strategic competencies, leadership, and performance culture. Our self-assessment of the check-off items, confirmed the following elements are on track: alignment of human capital with the annual performance plan and budget, identification of specific

actions to redeploy human capital to frontline services, and strategies to address competency gaps. However, we did confirm the depth of the retention challenges discussed earlier. By using the scorecard and applying the checklist criteria, we identified a need to implement a comprehensive retention policy and plan, as well as a requirement to hold managers accountable for building a strong workforce culture that supports retention of key personnel. A copy of the human resources operating plan is attached in Appendix L.

Summary

At the Department of Commerce, we are proud of the role we serve as the “nation’s predictors and protectors of information, and promoters of trade.” The President, Congress, business leaders, decision and policy makers, and local citizens depend on the reliability, timeliness and accuracy of the data collected, analyzed, and interpreted by the employees of the Department. They also rely on our regulations and processes to promote exports and trade compliance, protect intellectual property, manage radio spectrum, forecast the weather, ensure the well-being of our oceans and fish stocks, and protect the security of our information technology critical infrastructure. Through the work of our bureaus, we forecast trends for the economy and the environment. Our products and services allow businesses and people from every walk of life to build wealth and create a competitive nation. The work of Commerce promotes job creation and improves the living standards for all Americans. We create the underlying foundation and systems that support economic growth, technological competitiveness and sustainable development.

At Commerce, the predictors are knowledge workers, serving in a variety of professional and technical occupations such as economists, business and industry analysts, telecommunications specialists, marine biologists, meteorologists, patent examiners, mathematical statisticians, and computer scientists and engineers. These occupations require a specific mix of highly specialized skills and generic competencies. Employees who have these skills are highly valued by Commerce, very marketable and are sought after by the private sector. Competition is therefore rigorous for talented personnel.

Strategic approaches to securing our most valuable human capital assets are critical to the overall success of Commerce. The human capital crisis here is complex. Recruitment alone will not address the need. Retention initiatives will not improve the quality and quantity of the workforce, if they are not based on sound data and analysis of the factors that encourage individuals to seek and maintain employment with the Federal Government. This workforce restructuring plan addresses the complexities of Commerce’s human capital needs and forms the basis for integrated recruitment, training, retention and succession plans for key occupations.

Retention is the primary concern compounded by impending retirements in key occupations. We continue to show an equal pattern of losses due to resignations and retirements in key occupations. Under the leadership of Secretary Evans and Deputy Secretary Bodman, Commerce executives and

human resource professionals are developing innovative recruitment strategies, workforce training and retraining initiatives, organizational development projects, job analyses and process streamlining to address the human capital crisis. Of equal importance, Commerce is also addressing changes in the nature of work brought on by technology innovations, increased security, and safety concerns for our employees. These issues will require new and improved competencies in the administrative systems and infrastructure of Commerce such as planning, financial management, human and safety management, procurement and grants management, information technology, and security. These competencies in the administrative and logistical disciplines of the organization are the backbone upon which the success of the organization stands.

We are committed to President Bush's Management Agenda and goals to build a streamlined, citizen-centered government. Commerce cannot afford to repeat past mistakes by reducing numbers and layers without regard to critical competencies. Each bureau has carefully examined their workforce and identified opportunities to reduce the number of managers, increase the span of control, and reduce organizational layers. The overall impact of these changes will be improved communication and decision-making, and a redistribution of leadership in organizations as individuals and teams demonstrate the knowledge and capability they possess. The work of Commerce will be strengthened and augmented, as Federal employees focus on work that is inherently governmental, and commercial activities are competed. We have no doubt that the employees and leaders of Commerce are up to the challenge.

List of Appendices

- A. Workforce Restructuring Template and Instructions**
- B. Action Plan and Timeline for Implementing Changes**
- C. Anticipated Impact of Changes**
- D. Organizational Charts (Current and Proposed)**
- E. Reorganization and Streamlining Report, Office of Management and Organization, March 2002**
- F. USDA NFC FOCUS Report, Snap2001 Workforce Statistics OPC Library 2/05/02**
- G. Accessions and Separations Spreadsheet generated by data from USDA NFC FOCUS Report, Appendix G**
- H. Graphical Representation of Statistical Data**
- I. Demographic Workforce Profile**
- J. OPM Retirement Projections Model, Tables 1, 3, and 5**
- K. Extract from FY2003 Department of Commerce Congressional Budget Submission**
- L. Office of Human Resources Management Operating Plan**

ENDNOTES

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- ¹ **FY2000-2005** **Department of Commerce Strategic Plan**
- ² **FY2001** **U.S. Department of Commerce Accountability Report**
- ³ **FY2003** **Budget in Brief, U.S. Department of Commerce**
- ⁴ **FY2002-2003** **U.S. Department of Commerce Consolidated Competitive Sourcing Management Plan**
- ⁵ **FY2002-2003** **Annual Program Performance Report and Annual Performance Plan**